

Message Text

CONFIDENTIAL

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ORIGIN EB-05

INFO OCT-01 ISO-00 NEA-05 RSC-01 /012 R

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DRAFTED BY: EB/ORF/FSE:WBWHITMAN:CJR

APPROVED BY: EB/ORF/FSE - MR BENNSKY

NEA:R DAVIES

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FM SECSTATE WASHDC

TO USINT BAGHDAD NIACT IMMEDIATE

AMEMBASSY LAGOS NIACT IMMEDIATE

AMEMBASSY QUITO NIACT IMMEDIATE

AMEMBASSY OTTAWA NIACT IMMEDIATE

AMEMBASSY CANBERRA NIACT IMMEDIATE

AMEMBASSY BONN NIACT IMMEDIATE

AMEMBASSY LUXEMBOURG NIACT IMMEDIATE

AMEMBASSY THE HAGUE NIACT IMMEDIATE

AMEMBASSY BRUSSELS NIACT IMMEDIATE

USINT ALGIERS NIACT IMMEDIATE

AMEMBASSY REYKJAVIK NIACT IMMEDIATE

AMEMBASSY COPENHAGEN NIACT IMMEDIATE

AMEMBASSY BRASILIA NIACT IMMEDIATE

AMEMBASSY KUWAIT NIACT IMMEDIATE

C O N F I D E N T I A L STATE 249593

KUWAIT ALSO PASS DOHA

FOLLOWING REPEAT JIDDA 5626 ACTION SECSTATE TEHRAN CARACAS

KUWAIT TRIPOLI JAKARTA ABU DHABI INFO LONDON PARIS ROME TOKYO

NEW DELHI DHAHRAN 21 DEC

QUOTE

C O N F I D E N T I A L JIDDA 5626

E.O. 11652: GDS

TAGS: ENRG, EFIN, SA, XF, IR, VE

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SUBJECT: OPEC PRICE INCREASE

1. AHMAD ZAKI YAMANI, SAUDI MINISTER OF PETROLEUM, HAS JUST TOLD ME THAT HE HAS LITTLE HOPE OF PREVENTING OPEC FROM RAISING PRICES DRAMATICALLY.

2. HE SAID HE WOULD BE ONLY MEMBER TRYING TO KEEP LID ON PRICES AND HE WILL CONSIDER THAT HE HAD DONE A GOOD JOB IF PERSIAN GULF REALIZED (REPEAT REALIZED) PRICES COULD BE KEPT AS LOW AS \$6.00 A BARREL (I.E., AN INCREASE IN TAX/ROYALTY PAYMENTS OF ABOUT \$2.50 THAT IS, ABOUT A 75 PERCENT INCREASE).

3. YAMANI SAID THAT THE IRANIANS AND NIGERIANS HAVE BEEN ELATED BY THE RECENT SPOT SALES OF \$16-18/CRUDE AND WILL BE PUSHING FOR AVERAGE REALIZED PRICES OF AT LEAST \$10-12 PER BARREL (I.E., AN INCREASE IN PRICE IN TAX/ROYALTY PAYMENTS OF \$6.50-8.50 -- A TRIPLING OR QUADRUPLING OF PRESENT TAXES).

4. HE SAID HE WAS SURE KUWAIT AND VENEZUELA WOULD ALSO BE PUSHING FOR THE HIGHER PRICES.

5. I TOLD YAMANI I THOUGHT THE PRICES WERE ABSURD; EVEN THE "MODERATE" PRICES YAMANI SAID HE WAS AIMING FOR WOULD BE A DISASTER FOR MANY COUNTRIES. I SAID I HAD THOUGHT PRICES MIGHT GO UP A DOLLAR, AND EVEN THAT WOULD BE CATASTROPHIC FOR MOST OF THE WORLD. AS FOR THE \$10-12 FIGURE THIS WOULD RAISE THE VALUE OF OIL IMPORTS TO AROUND \$150 BILLION A YEAR, TRIPLE THE PRESENT AMOUNT, AND THERE JUST ISN'T THAT MUCH MONEY FOR OIL IN THE WORLD.

6. ACTION REQUESTED: THAT THE DEPARTMENT CALL IN THE AMBASSADORS OF THE OPEC COUNTRIES TODAY. TELL THEM WE HAVE RECEIVED REPORTS OF PLANS FOR PROPOSED LARGE PRICE INCREASES IN THE TEHRAN MEETING TOMORROW; POINT OUT TO THEM THE EFFECTS ON WORLD COMMERCE OF SUCH A MOVE. DEPT WILL ALSO CONSIDER ASKING INFO ADDRESSEE COUNTRIES TO MAKE SIMILAR APPROACH TO OPEC COUNTRIES.
AKINS UNQUOTE RUSH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTION, PRICES, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: hilburpw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE249593
Document Source: CORE
Document Unique ID: 00
Drafter: EB/ORF/FSE:WBWHITMAN:CJR
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t1973128/aaaaafun.tel
Line Count: 99
Locator: TEXT ON-LINE
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: hilburpw
Review Comment: n/a
Review Content Flags:
Review Date: 13 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13-Sep-2001 by martinml>; APPROVED <16-Oct-2001 by hilburpw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OPEC PRICE INCREASE
TAGS: ENRG, EFIN, SA, XF, IR, VE, OPEC
To: BAGHDAD MULTIPLE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005